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June 3, 2024

To,
BSE Limited
Corporate Relationship Department,
Phiroze Jeejeebhoy Towers
Dalal Street,
Mumbai-400001.

Scrip Code: 543284
Symbol: EKI

Sub: U.S. Government's Support for Voluntary Carbon Markets Alongside India's Progressive Measures

Sir(s),

EKI Energy Services Limited (EKI) commends the Biden-Harris Administration for announcing new principles aimed at ensuring the integrity of voluntary carbon markets. These principles, endorsed by senior officials, highlight the U.S. government's commitment to encouraging responsible participation in these markets.

As a company devoted to sustainability and fighting climate change, EKI acknowledges the crucial role of high-integrity carbon markets in expediting decarbonization. EKI believes that these principles will enhance market integrity, rebuild stakeholder confidence, and fully unlock the potential of voluntary carbon markets to advance climate goals.

Key highlights are detailed in the press release below.

The above information will also be made available on the website of the Company: www.enkingint.org.

We request you to kindly take this information on record.

Thanking you

Yours Faithfully

For EKI Energy Services Limited

ITISHA SAHU Digitally signed by ITISHA SAHU Date: 2024.06.03 13:08:59 +05'30'

Itisha Sahu
Company Secretary & Compliance Officer

Encl: a/a

EKI Energy Services Ltd. Applauds U.S. Government's Support for Voluntary Carbon Markets Alongside India's Progressive Measures

- *The principles aim to ensure that carbon markets drive meaningful climate action while promoting economic opportunity.*
- *EKI remains committed to supporting the responsible development of Voluntary Carbon Markets and looks forward to collaborating with stakeholders to achieve shared climate goals.*

India, June 3, 2024: EKI Energy Services Ltd., a leading global developer and supplier of carbon credits in International Carbon Markets, welcomes and applauds the Biden-Harris Administration's announcement of new principles for high-integrity voluntary carbon markets. The release of these principles, accompanied by a Joint Statement of Policy, marks a significant step towards advancing credible and ambitious climate action.

The principles, endorsed by top officials underscore the U.S. government's commitment to fostering responsible participation in voluntary carbon markets. By setting clear incentives and guardrails, these principles aim to ensure that carbon markets drive meaningful climate action while promoting economic opportunity.

As a company dedicated to promoting sustainability and combating climate change, EKI recognizes the importance of high-integrity carbon markets in accelerating decarbonization efforts. EKI believes that these principles will help strengthen market integrity, restore confidence among stakeholders and unlock the full potential of voluntary carbon markets to drive climate ambition.

It's worth noting that the Indian government also recognizes the urgent need to combat climate change and has taken proactive measures to mitigate its impacts. As early as June 2022, the Energy Conservation (Amendment) Act was enacted, providing regulators with the authority to develop regulations and policies for India's national emission trading system. In 2023, India introduced the Carbon Credit Trading Scheme (CCTS), which encompasses both compliance and voluntary sectors. In a further progressive move, the government amended the CCTS in June 2023 to include the Offset Market and allow non-obligated entities to participate, opening new opportunities for decarbonization projects within the national carbon market. While specific sectoral scopes, standards and methodologies for accepting Voluntary Carbon Market (VCM) credits are yet to be defined, India's progress in this sector is commendable.

Mr. Manish Dabkara, Chairman & MD of EKI Energy Services Ltd. (EKI), said, *"We commend the Biden-Harris Administration for taking proactive steps to advance high-integrity voluntary carbon markets. These principles align with our commitment to transparency, accountability and environmental stewardship. By establishing robust standards and ensuring the credibility of carbon credits, we can mobilize private finance at scale for projects that reduce and remove greenhouse gas emissions."*

"*EKI remains committed to supporting the responsible development of voluntary carbon markets and looks forward to collaborating with stakeholders to achieve our shared climate goals",* **he added.** *"Together, we can address the urgent challenge of climate change and build a more sustainable future for generations to come."*

Mr. Naveen Sharma, Director - Global Carbon Sales and Origination, EKI Energy Services said, *"We warmly welcome the Biden-Harris Administration's commitment to bolstering the integrity of voluntary carbon markets. These new principles provide a solid framework for fostering transparency and accountability in carbon credit trading, which is essential for driving meaningful climate action."*

The Voluntary Carbon Markets (VCM) have the potential to drive significant progress in combating climate change, yet they face challenges in ensuring the integrity and credibility of carbon credits. Recent observations have revealed discrepancies in the reliability of crediting methodologies, leading to concerns about transparency and accountability in the market. The new Principles will effectively tackle these challenges while also ensuring the high integrity of the Voluntary Carbon Market. These principles aim to establish robust standards for carbon credit supply and demand, improve market functioning and ensure fair treatment of all participants. By prioritizing measurable emissions reductions, promoting transparency and fostering market integrity, these principles will support the responsible development of VCMs and help drive ambitious climate action.

A Morgan Stanley Research estimates the Voluntary Carbon Market to grow to about $100 billion by 2030 and around $250 billion by 2050. The release of new principles by the Biden-Harris Administration will further bolster this projected growth trajectory, providing a significant boost to investor confidence and catalyzing greater participation in carbon credit trading.

The Administration's announced Principles for Responsible Participation address the imperative for action, aiming to enable Voluntary Carbon Markets (VCMs) to fulfill their potential. These principles emphasize:

- Ensuring that carbon credits and their associated activities adhere to credible atmospheric integrity standards, reflecting genuine decarbonization efforts.

- Encouraging credit-generating activities to avoid causing environmental and social harm, while also supporting co-benefits and transparent sharing of benefits.
- Urging corporate buyers to prioritize measurable emissions reductions within their own value chains when utilizing credits.
- Advocating for the public disclosure of the nature of both purchased and retired credits by credit users.
- Insisting that public claims made by credit users accurately represent the climate impact of retired credits and are based solely on credits meeting high integrity standards.
- Encouraging market participants to contribute to initiatives aimed at enhancing market integrity.
- Calling upon policymakers and market participants to facilitate efficient market participation and endeavour to reduce transaction costs.

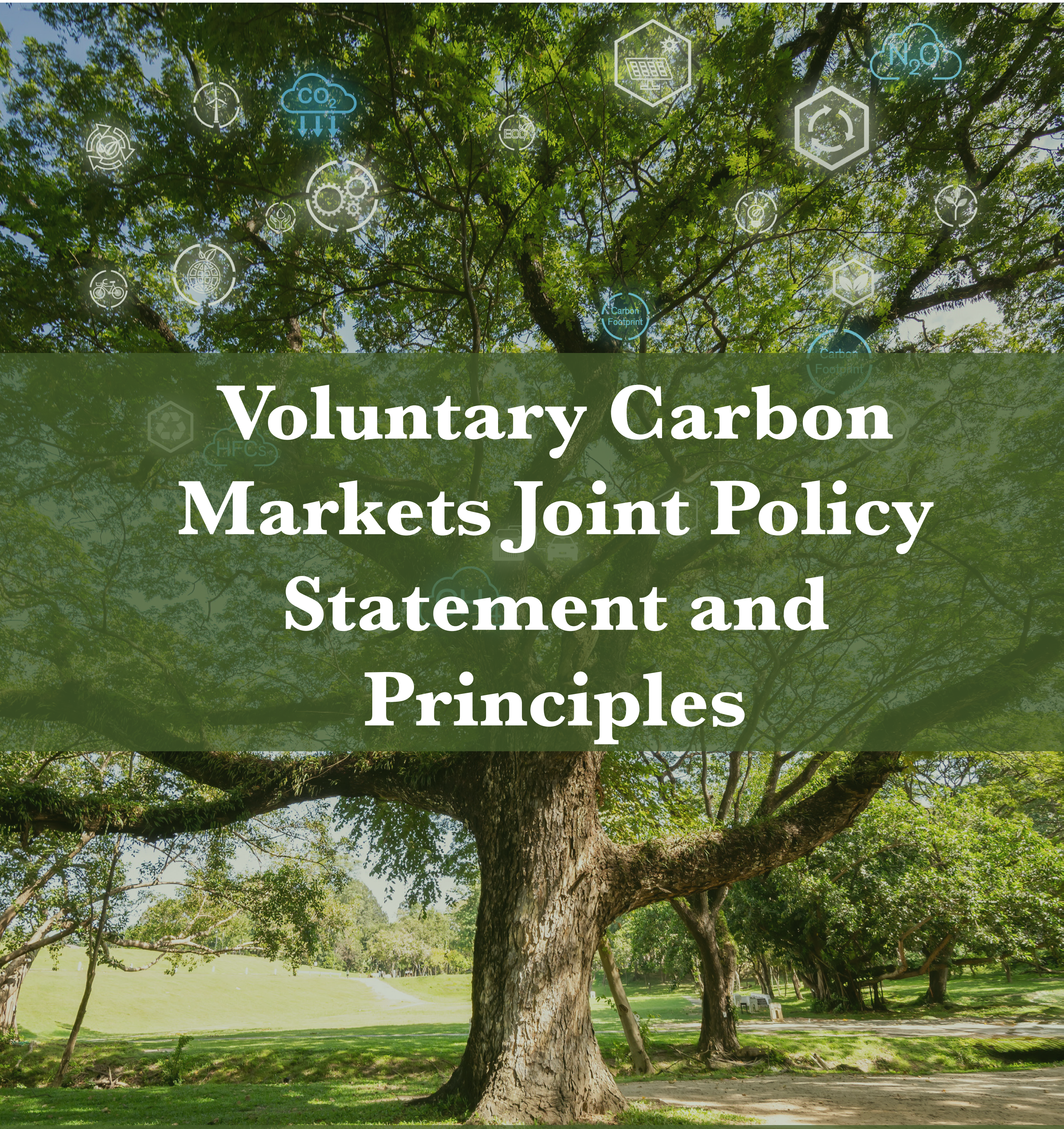
Click here for the full video announcement of the new Principles for high-integrity Voluntary Carbon Markets. Additionally, the Voluntary Carbon Markets Joint Policy Statement and Principles, along with a Fact Sheet, are attached below.

About EKI Energy Services Ltd.

EKI Energy Services Ltd. is a leading Carbon Credit Developer & Supplier across the globe. It is the first ever company to list a Plastic Project from India with Verra - a global accreditation standard located in Washington, USA. Founded in 2008, the Bombay Stock Exchange (BSE) listed company has been passionately working towards rehabilitating the planet to a future of net-zero carbon emissions. EKI offers sustainable solutions for climate change and carbon offsets with global standards like CDM, VCS, Gold Standard, GCC, IREC, TIGR and others. With an aim to contribute to the development of a climate resilient global economy, the company offers strategic solutions to businesses and organizations globally to achieve their climate ambition. EKI offerings span across Carbon Credit/Asset Management, Carbon Credit Generation, Carbon Credit Supply, Carbon Credit Offsetting, Carbon Footprint Management, Sustainability Audits, as well as Carbon Neutrality and Climate Positive initiatives. EKI has consistently featured on The Next 500 - Fortune India List for both 2023 and 2024. Additionally, it has been honored with three prestigious awards at the Environmental Finance Sustainable Company Awards 2023, alongside other notable accolades. The company is today present in 16+ countries and has 3500+ customers across 40+ countries. As on date, EKI has supplied over 200+ million offsets. Visit our website to know more: https://enkingint.org/

For more details, please reach out to Ms. Garima Kumar at +91 98 735 10989 or via email at mediarelations@enkingint.org .

Voluntary Carbon Markets Joint Policy Statement and Principles



May 2024

Voluntary Carbon Markets Joint Policy Statement

High-integrity voluntary carbon credit markets (VCMs), as well as carbon credit markets more broadly, have the potential to support decarbonization efforts within the United States and globally, accelerating net emissions reductions while reducing their cost. They can achieve this by further unlocking capital and demand for real, additional, lasting, and independently verified emissions reductions and removals. Such markets can also provide myriad co-benefits by supporting economic development, sustaining livelihoods of local communities, and conserving land and water resources and biodiversity.

As leaders of U.S. Federal departments and offices, we have issued this statement and associated principles on VCMs because we believe they can and should play a meaningful role in facilitating global greenhouse gas emissions ("emissions") reductions and removals and helping to reach global net-zero emissions by 2050 and limit warming to 1.5 °C. While VCMs remain relatively small today, they have the potential to grow in the coming years and channel a significant amount of private capital to support the energy transition and combat climate change, with the right incentives and guardrails in place. At the same time, we believe fully achieving the potential of these markets requires further action to address challenges that have emerged, promote robust standards for carbon credit ("credit") supply and demand, improve market functioning, ensure fair and equitable treatment of all participants, and instill needed market confidence.

This statement provides observations on the current state of VCMs and their potential. It then outlines voluntary principles that U.S. market participants should embrace as they engage in these markets. These principles will also guide how the U.S. Government engages with VCMs. While the focus of this statement is on VCMs, much of the content speaks to the development and operation of carbon credit markets generally.

* * *

Widespread confidence in the integrity of credited emissions reductions and removals is critical for VCMs to reach their potential. Unlike many commodities, the physical delivery of the tonnes of emissions reductions or removals that underpin credits is not typically taken by the buyer, but instead by the earth's atmosphere. Though decarbonization outcomes can and *must* be accurately measured or estimated, they generally cannot be directly examined by the buyer.[1] As a result, credit integrity is paramount.

However, researchers, journalists, and other observers have found that several popular crediting methodologies and activities that rely on them have not produced the decarbonization outcomes they claim. Important questions have emerged about how to ensure that VCMs genuinely drive additional decarbonization action (rather than reward what would have happened anyway) that is sustained over time and does not simply shift emissions elsewhere. In addition, barriers to market participation have inhibited market efficiency and opportunity.

Put simply, stakeholders must be certain that one credit truly represents one tonne of carbon dioxide (or its equivalent) reduced or removed from the atmosphere, beyond what would have otherwise occurred.

At the activity level, we observe mounting attention to the need for measures that ensure credited activities respect local communities and human rights and identify, mitigate, and address any negative environmental or social impacts. Moreover, policymakers require technical assurances that these activities *and* their credited results are compatible with ambitious emissions pathways, national climate change policies, and sustainable development goals. In addition, clearer rules of the road would enhance market certainty for credit buyers and businesses and individuals undertaking activities to supply this market.

Concerns about the credible *use* of credits (for example, to address a portion of Scope 3 emissions) must also be adequately addressed for VCMs to truly drive decarbonization. Stakeholders have raised concerns regarding the integrity of credit demand—including that some purchasers may prioritize price and quantity over credit integrity, use credits to offset their emissions in place of feasible direct abatement actions, or make resulting claims about their emissions performance that are not credible and grounded in science.

These demand integrity concerns must also be addressed in order for credits to truly drive decarbonization outcomes that are complementary to the other ambitious actions and policies required to combat climate change.

1 Unlike what happens with commodities that can be sampled or measured on delivery, such as soybeans or nickel, a credit buyer cannot consistently and easily ascertain quality through examination of physically delivered emissions reductions or removals. While the credits themselves can be delivered to the buyer, the underlying asset (emissions reduction or removal) does not typically transfer to the buyer's possession and use.

Fortunately, we see a renewed wave of civil society, corporate, and government resolve to address these challenges. Notable developments include:

- The emergence of multi-stakeholder initiatives that have set out standards and principles for high-integrity credit development and responsible credit use;
- Improvements to key crediting methodologies, their guiding standards, and tracking systems;
- New and improved analytical products and services that aim to strengthen credit transparency and quality comparability, such as carbon credit rating services;
- Technologies to support robust measurement, monitoring, reporting, and verification (MMRV);
- Multilateral rules, guidance, and procedures developed under Article 6 of the Paris Agreement and the international aviation sector's global carbon market-based measure, which shape certified emissions reductions and removals that often find their home in VCMs[2]; and
- Advances in the development of market infrastructure to improve transparency and liquidity, as well as the integrity of market transactions.

High-functioning VCMs can connect buyers to cost-effective, high-quality emissions reduction and removal credits, creating meaningful economic opportunities for credit sellers. They can also help private sector buyers drive additional climate ambition today, through large-scale efforts such as nature-based decarbonization. Demand signals in VCMs can also help technologies for carbon removal and long-term storage become more cost effective in the future and support greater purchase volumes of associated carbon removal credits.[3] Consistent with science-based

2 Examples include the G7's Principles for High-Integrity Carbon Markets; multilateral standards such as the International Civil Aviation Organization's Emissions Units Criteria that underpin the Carbon Offsetting and Reduction Scheme for International Aviation (ICAO CORSIA), which guides approval of credits for use under CORSIA; the crediting mechanism established under Article 6.4 of the Paris Agreement; and agreed guidance for countries to robustly account for and report at a principle-level on the environmental and social integrity of emissions reductions or removals that they authorize and transfer to meet their Paris Agreement emissions targets.

3 According to the Intergovernmental Panel on Climate Change (IPCC) (Sixth Assessment Report, Working Group III), "carbon dioxide removal (CDR) is necessary to achieve net zero CO2 and GHG emissions both globally and nationally, counterbalancing 'hard-to-abate' residual emissions. CDR is also an essential element of scenarios that limit warming to 1.5°C or below 2°C (>67%) by 2100...." Several stakeholders recommend that, over time, credit buyers allocate more spend to removals with durable storage as the price of such activities decreases (see, e.g., Oxford Principles for Net Zero Aligned Carbon Offsetting, 2024 revision).

pathways, we expect removal credits to constitute a growing share of the market over time.

To help advance this outcome, the U.S. Government is playing an increasingly important role in carbon credit markets. For example, regulators have incorporated carbon credit disclosure standards into securities regulation and proposed guidance aimed at safeguarding the integrity of voluntary carbon credit derivatives and associated trading platforms, including by promoting the use of high-integrity credits. Land management agencies are making significant investments in improved soils, grassland, and forest data at home and abroad that will reduce measurement uncertainty and support the integrity of VCMs. The U.S. Government also continues to support investments in robust enabling environments for projects and programs generating credits through high-integrity approaches, including in developing countries. Federal efforts have and will continue to make vital contributions to the integrity and functioning of VCMs by supporting critical market infrastructure and advancing responsible market practices.

To demonstrate our commitment to high-integrity VCMs, we are today publishing a fact sheet with relevant federal government actions, outlining how the U.S. Government has and will continue to shape this market in line with these principles. These efforts complement—and are not in place of—other actions the United States and other governments are taking to combat the climate crisis, including preparing and implementing ambitious 1.5°C-aligned nationally determined contributions under the Paris Agreement and investing in technologies and practices to decarbonize high-emitting sectors—including the power, transportation, buildings, industry, and agriculture sectors.

We encourage the U.S. private sector and other stakeholders in the carbon credit value chain to responsibly participate in VCMs, consistent with the principles below. These principles recognize the need for: credit integrity, including protections regarding climate and environmental justice (i.e., "supply integrity") (Principles 1 and 2); credible credit use (i.e., "demand integrity") (Principles 3, 4, and 5); and market-level integrity, including facilitating efficient market participation and lowering transaction costs (Principles 6 and 7). These principles are non-exhaustive, and they seek to elevate concepts already developed by civil society, international organizations, governments, and multilateral fora. We are publishing these principles primarily to inform and support ongoing efforts to address the challenges and opportunities associated with VCMs.[4]

We applaud organizations that are engaging with these markets in ways consistent with these principles and encourage more to do so. In the meantime, the U.S. Government will continue working to tackle the global climate crisis while expanding economic opportunities for Americans and our partners across the world.

Signed,

Janet L. Yellen, United States Secretary of the Treasury

Thomas J. Vilsack, United States Secretary of Agriculture

Jennifer M. Granholm, United States Secretary of Energy

John Podesta, Senior Advisor to the
President for International Climate Policy

Lael Brainard, National Economic Advisor

Ali Zaidi, National Climate Advisor

4 We recognize that the concepts in these principles may, in some instances, be applicable to carbon credit markets more generally. International carbon market negotiations are ongoing and nothing in this statement prejudges the outcome of those negotiations.

Principles for Responsible Participation in Voluntary Carbon Markets (VCMs)

1. **Carbon credits and the activities that generate them should meet credible atmospheric integrity standards and represent real decarbonization.[5]**

   Activities that generate credits and the credits themselves should be certified to a robust standard for activity design and MMRV of emission reductions or removals, applying procedures that deliver on core integrity principles, including these elements:

   - Additional. The activity would not have occurred in the absence of the incentives of the crediting mechanism and is not required by law or regulation.
   - Unique. One credit corresponds to only one tonne of carbon dioxide (or its equivalent) reduced or removed from the atmosphere and is not double-issued.
   - Real and Quantifiable. Claimed emissions reductions or removals represent genuine atmospheric impact that is determined in a transparent and replicable manner using robust, credible methodologies. Relevant activities are designed to prevent emissions from occurring, being shifted, or intensifying beyond their boundaries as a result of the activity ("leakage").
   - Validation and verification. Activity design is validated, and results are verified, by a qualified, accredited, independent third party.
   - Permanence of greenhouse gas benefits. The emissions removed or reduced will be kept out of the atmosphere for a specified period of time during which any credited results that are released back into the atmosphere are fully remediated.
   - Robust baselines. Baselines for emissions reduction and removal activities are based on rigorous methodologies that avoid over-crediting, prioritizing the use of performance benchmarks where applicable, and that evolve over

5 Concepts in Principles 1-2 draw from existing best practices for credit certification standards, including key concepts from the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), the G7's Principles for High-Integrity Carbon Markets; the Commodity Futures Trading Commission's proposed guidance regarding the listing of voluntary carbon credit derivative contracts (December 2023), the Integrity Council for Voluntary Carbon Markets (IC-VCM), and relevant decisions under Article 6 of the Paris Agreement.

time to reflect advancements in national climate policy, emissions pathways and decarbonization practices, and technology.

Some criteria, such as those for avoiding emissions leakage or for ensuring additionality of more capital-intensive infrastructure and policy alignment, can be more readily achieved through sector-wide or jurisdictional-scale approaches to crediting and nesting of project-level activities into jurisdictional-scale programs and accounting.[6] Buyers and sellers should account for these differences in their market activities.[7]

Credit certification standards bodies—which register activities and issue credits on the basis of verification against standards and approved methodologies—play an essential role in ensuring credit integrity. These bodies and their standards should:

- Effectively govern their standards to ensure transparency, accountability, responsiveness (e.g., to evolving best practice, science, and policy landscapes), and, when applicable, the longevity necessary to responsibly certify removal activities;
- Operate or make use of a registry to transparently track the attributes, issuance, ownership, and retirement and/or cancellation of credits, coordinating where appropriate to ensure that activities are not registered with more than one registry;
- Ensure robust MMRV of emissions reductions and removals;
- Have procedures in place to effectively address double-counting risks, including to prevent double-registration and -issuance, to prohibit double-selling and -use, and to transparently reinforce multi-stakeholder efforts to avoid double-claiming as applicable;
- Require publicly available and accessible, comprehensive, and transparent information on crediting activities;
- Ensure verification of reported emissions reductions and removals, and validation of the relevant project or program, is undertaken by independent, accredited third parties;
- Ensure their governance procedures address real or perceived conflicts of interest in relation to the standards body's own governance, as well as in

6 See, for example, recent guidance from the Tropical Forest Credit Integrity (*Tropical Forest Credit Integrity Guide for Companies Version 2*, 2023).

7 Some project-level procedures, such as tools for project-based additionality testing, are not directly applicable to sector-scale or jurisdictional programs. As a result, attention should be paid to alternative approaches to robust baseline-setting and related measures that collectively support confidence in the integrity of these larger-scale programs' results.

registry administration and in validation and verification activities; and

- Support a robust enabling environment for equitable participation, including by projects and programs in developing countries.

2. Credit-generating activities should avoid environmental and social harm and should, where applicable, support co-benefits and transparent and inclusive benefits-sharing.

Climate and environmental justice impacts of credited activities are important to understand, and project and program developers should seek to avoid negative externalities for the communities in which they operate. Safeguards should be put in place to identify and avoid potential adverse impacts on people and the environment, including as they relate to local communities, land use and tenure rights, food security, nature, and biodiversity. They should proactively monitor and mitigate any adverse impacts that remain. Where appropriate, they should also seek to enhance positive impacts. To that end, the identification and delivery of verified "co-benefits" associated with credit-generating projects and programs, such as sustainable economic development and increased biodiversity, are encouraged. Projects and programs, including any benefits-sharing arrangements, should also be designed and implemented in consultation with—and, where applicable, in partnership with—relevant stakeholders and respect Free, Prior and Informed Consent where it applies.

3. Corporate buyers that use credits ("credit users")[8] should prioritize measurable emissions reductions within their own value chains.

"Use of credits" pertains to the purchase and cancellation or retirement[9] of credits, and any subsequent public-facing "claim" based on the climate impact of those credits (see Principle 5). Achieving long-term climate goals requires transforming business models across economies. Accordingly, credit users should use VCMs to complement measurable within-value-chain emissions reductions as part of their net-zero strategies. Such efforts should include taking inventory of Scope 1, 2, and 3 emissions and regularly reporting them, setting near-term emissions reduction targets and longer-term net-zero targets, and adopting and executing transition plans. Where feasible, companies should work collaboratively with their

8 "Credit users" are a subset of "credit buyers." A "credit user" not only purchases a credit, but also retires it.

9 Credit retirement refers to the act of redeeming or using a credit (e.g., toward a claim or sustainability goal) and subsequently removing that credit from market circulation so that it cannot be resold or claimed by another entity. It is distinct from (and can only happen after) purchasing or acquiring a credit. There are several reasons an entity may purchase but not retire a credit. For example, an entity may purchase a credit for purposes of investment or as part of a market-making function.

suppliers on efforts to undertake decarbonization activities, including in ways that are mutually beneficial. This could include directly funding within-value-chain decarbonization activities (e.g., by insetting or purchasing supplier-generated credits). Credit users seeking further guidance on credible approaches to climate strategies that reduce value chain emissions should refer to Treasury's [Principles for Net-Zero Financing and Investment] or similarly robust guidance.

4. Credit users should publicly disclose the nature of purchased and retired credits.

Disclosure of purchased, cancelled, or retired credits[10] should be made on at least an annual basis and include details that enable outside observers and relevant stakeholders to assess whether purchased and retired credits are of high integrity and avoid negative environmental and social impacts (i.e., relating to the parameters discussed in Principles 1 and 2).[11] In some cases, adherence to this principle may involve voluntary public disclosures exceeding those required by applicable law.

Credit users should determine the optimal format in which to publish information about purchased and retired credits in light of evolving practices while seeking to disclose information in a standardized manner that enables comparability across credit users. Regardless of format, such information should be made easily accessible to stakeholders, such as in a regular publication. Credit users should consider reporting to resources that aggregate and publicly disseminate this information.

5. Public claims[12] by credit users should accurately reflect the climate impact of retired credits and should only rely on credits that meet high integrity standards.

Demand-side credit standards, codes of conduct, and other frameworks that define what constitutes an appropriate claim are evolving. As these frameworks continue to develop, they should increase incentives to purchase high-integrity credits on an ongoing, regular basis without reducing incentives for companies to expeditiously pursue within-value-chain emissions reductions. For example, those

10 Retired credits refer to credits that were redeemed or used (e.g., toward a claim or sustainability goal) and subsequently removed from market circulation.

11 For example, disclosed information on purchased, cancelled, or retired credits should include the relevant certification standard name, project name, project ID, host country, credit vintage, methodology, and project type, as well as whether the credits met relevant third-party principles for integrity.

12 Public claims by credit users often extend beyond disclosure (see Principle 4) and are intended to communicate the users' commitment to emissions mitigation efforts.

developing such frameworks should consider incorporating approaches that allow companies to count credits toward a portion of their Scope 3 emissions associated with science-aligned emission pathways in cases where it would be unreasonable to expect a company to be able to fully abate those emissions within a given timeframe.[13]

Claims should rely only on the impact of credits that meet current high integrity standards at the time the claim is made and that avoid adverse impacts (see Principles 1 and 2). These claims should be in the context of a corporate climate strategy that prioritizes within-value-chain emissions reductions (see Principle 3). Credited emissions reductions or removals that have been reversed, revealed as inflated, or exposed as failing environmental or social safeguards should not be used as the basis for any claims unless remediation, such as replacement by buffer pool credits, has taken place.

6. Market participants should contribute to efforts that improve market integrity.[14]

While issues of market integrity are distinct from those of credit and demand integrity (i.e., those referenced in Principles 1–5), improvements to the latter can positively impact the former. The market structures underpinning VCMs are quickly evolving. Today, credits are traded both through private contracts (over-the-counter) and on exchanges. While not pre-supposing any particular market structure, stakeholders should seek to improve market functionality for a variety of market participants. This includes: creating incentives to develop and purchase high-integrity credits; improving transparency and the publicly available data of credit-generating projects and programs, including transaction volumes and prices; promoting fair and equitable treatment of suppliers involved in credit generation, including fair distribution of revenue; controlling for potential conflicts of interest among VCM service providers; preventing fraud and manipulation by bad-faith actors undermining credit integrity; providing for the appropriate accounting and legal treatment of credits and resolving any related ambiguities; enabling global interoperability of relevant standards, market infrastructure, and reporting; supporting robust and equitable participation in these markets,

13 The Voluntary Carbon Markets Integrity Initiative (VCMI), which has issued guidance (the "Claims Code of Practice") on how companies can make voluntary use of credits as part of credible science-aligned net-zero decarbonization pathways, has published a "beta version" of a Scope 3 Flexibility Claim under which companies could use credits to bridge the gap between their scope 3 emissions and a science-aligned pathway. The Science Based Targets initiative (SBTi) has announced it "will consult [...] on the revision of the scope 3 framework, including the responsible use of environmental attribute certificates in target setting."

14 In the context of VCMs, "market integrity" refers to issues other than credit and demand integrity that affect the functionality and health of these markets; this includes issues related to credit price transparency, liquidity, and price dispersion.

including by projects and programs in developing countries; and taking other measures separate from credit and demand integrity to improve the functioning and health of these markets. Addressing these issues will require collaboration between the private sector, civil society, and the public sector.

7. **Policymakers and market participants should facilitate efficient market participation and seek to lower transaction costs.**

Expanding market opportunities for credible credit providers is an important component of the United States' climate strategy. Addressing the barriers (e.g., high transaction costs) facing credit-generating suppliers—including farmers, ranchers, forest owners, small businesses, developing country jurisdictions, and others—can improve the overall ability of VCMs to produce high-integrity credits that advance decarbonization and generate economic opportunity. Policymakers and buyers should consider ways to enhance market certainty for credit providers undertaking long-term and often significant investments in decarbonization that plan to rely on VCM revenues to finance their actions. Where appropriate, including for land-based credits, the use of scientifically robust models—including those supported by government investment—can help reduce MMRV costs and improve credit integrity when paired with appropriate safeguards.

FACT SHEET: Biden-Harris Administration Announces New Principles for High-Integrity Voluntary Carbon Markets

(Source: The White House)

Since Day One, President Biden has led and delivered on the most ambitious climate agenda in history, including by securing the Inflation Reduction Act, the largest-ever climate investment, and taking executive action to cut greenhouse gas emissions across every sector of the economy. The President's Investing in America agenda has already catalyzed more than $860 billion in business investments through smart, public incentives in industries of the future like electric vehicles (EVs), clean energy, and semiconductors. With support from the Bipartisan Infrastructure Law, CHIPS and Science Act, and Inflation Reduction Act, these investments are creating new American jobs in manufacturing and clean energy and helping communities that have been left behind make a comeback.

The Biden-Harris Administration is committed to taking ambitious action to drive the investments needed to achieve our nation's historic climate goals – cutting greenhouse gas emissions in half by 2030 and reaching net zero by 2050. President Biden firmly believes that these investments must create economic opportunities across America's diverse businesses – ranging from farms in rural communities, to innovative technology companies, to historically- underserved entrepreneurs.

As part of this commitment, the Biden-Harris Administration is today releasing a Joint Statement of Policy and new Principles for Responsible Participation in Voluntary Carbon Markets (VCMs)that codify the U.S. government's approach to advance high-integrity VCMs. The principles and statement, co-signed by Treasury Secretary Janet Yellen, Agriculture Secretary Tom Vilsack, Energy Secretary Jennifer Granholm, Senior Advisor for International Climate Policy John Podesta, National Economic Advisor Lael Brainard, and National Climate Advisor Ali Zaidi, represent the U.S. government's commitment to advancing the responsible development of VCMs, with clear incentives and guardrails in place to ensure that this market drives ambitious and credible climate action and generates economic opportunity.

The President's Investing in America agenda has crowded in a historic surge of private capital to take advantage of the generational investments in the Inflation Reduction Act and Bipartisan Infrastructure Law. High-integrity VCMs have the power to further crowd in private capital and reliably fund diverse organizations at home and abroad –whether climate technology companies, small businesses, farmers, or entrepreneurs –that are developing and deploying projects to reduce carbon emissions and remove carbon from the atmosphere.

However, further steps are needed to strengthen this market and enable VCMs to deliver on their potential. Observers have found evidence that several popular crediting methodologies do not reliably produce the decarbonization outcomes they claim. In too many instances, credits do not live up to the high standards necessary for market participants to transact transparently and with certainty that credit purchases will deliver verifiable decarbonization. As a result, additional action is needed to rectify challenges that have emerged, restore confidence to the market, and ensure that VCMs live up to their potential to drive climate ambition and deliver on their decarbonization promise. This includes: establishing robust standards for carbon credit supply and demand; improving market functioning; ensuring fair and equitable treatment of all participants and advancing environmental justice, including fair distribution of revenue; and instilling market confidence.

The Administration's Principles for Responsible Participation announced today deliver on this need for action to help VCMs achieve their potential. These principles include:

- Carbon credits and the activities that generate them should meet credible atmospheric integrity standards and represent real decarbonization.
- Credit-generating activities should avoid environmental and social harm and should, where applicable, support co-benefits and transparent and inclusive benefits-sharing.
- Corporate buyers that use credits should prioritize measurable emissions reductions within their own value chains.
- Credit users should publicly disclose the nature of purchased and retired credits.
- Public claims by credit users should accurately reflect the climate impact of retired credits and should only rely on credits that meet high integrity standards.
- Market participants should contribute to efforts that improve market integrity.
- Policymakers and market participants should facilitate efficient market participation and seek to lower transaction costs.

The Role of High-Quality Voluntary Carbon Markets in Addressing Climate Change

President Biden, through his executive actions and his legislative agenda, has led and delivered on the most ambitious climate agenda in history. Today's release of the Principles for Responsible Participation in Voluntary Carbon Markets furthers the President's commitment to restoring America's climate leadership at home and abroad by recognizing the role that high- quality VCMs can play in amplifying climate action alongside, not in place of, other ambitious actions underway.

High-integrity, well-functioning VCMs can accelerate decarbonization in several ways. VCMs can deliver steady, reliable revenue streams to a range of decarbonization projects, programs, and practices, including nature-based solutions and innovative climate technologies that scale up carbon removal. VCMs can also deliver important co-benefits both here at home and abroad, including supporting economic development, sustaining livelihoods of Tribal Nations, Indigenous Peoples, and local communities, and conserving land and water resources and biodiversity. Credit-generating activities should also put in place safeguards to identify and avoid potential adverse impacts and advance environmental justice.

To deliver on these benefits, VCMs must consistently deliver high-integrity carbon credits that represent real, additional, lasting, unique, and independently verified emissions reductions or removals. Put simply, stakeholders must be certain that one credit truly represents one tonne of carbon dioxide (or its equivalent) reduced or removed from the atmosphere, beyond what would have otherwise occurred.

In addition, there must be a high level of "demand integrity" in these markets. Credit buyers should support their purchases with credible, scientifically sound claims regarding their use of credits. Purchasers and users should prioritize measurable and feasible emissions reductions within their own value chains and should not prioritize credit price and quantity at the expense of quality or engage in "greenwashing" that undercuts the decarbonization impact of VCMs. The use of credits should complement, not replace, measurable within-value-chain emissions reductions.

VCMs have reached an inflection point. The Biden-Harris Administration believes that VCMs can drive significant progress toward our climate goals if action is taken to support robust markets undergirded by high-integrity supply and demand. With these high standards in place, corporate buyers and others will be able to channel significant, necessary financial resources to combat climate change through VCMs. A need has emerged for leadership to guide the development of VCMs toward high-quality and high-efficacy decarbonization actions. The Biden-Harris Administration is stepping up to meet that need.

Biden-Harris Administration Actions to Develop Voluntary Carbon Markets

These newly released principles build on existing and ongoing efforts across the Biden-Harris Administration to encourage the development of high-integrity voluntary carbon markets and to put in place the necessary incentives and guardrails for this market to reach its potential. These include:

1. Creating New Climate Opportunities for America's Farmers and Forest Landowners. Today, The Department of Agriculture's (USDA) Agricultural Marketing Service (AMS) published a Request for Information (RFI) in the Federal Register asking for public input relating to the protocols used in VCMs. This RFI is USDA's next step in implementing the Greenhouse Gas Technical Assistance Provider and Third-Party Verifier Program as part of the Growing Climate Solutions Act. In February 2024, USDA announced its intent to establish the program, which will help lower barriers to market participation and enable farmers, ranchers, and private forest landowners to participate in voluntary carbon markets by helping to identify high-integrity protocols for carbon credit generation that are designed to ensure consistency, effectiveness, efficiency, and transparency. The program will connect farmers, ranchers and private landowners with resources on trusted third-party verifiers and technical assistance providers. This announcement followed a previous report by the USDA, The General Assessment of the Role of Agriculture and Forestry in the U.S. Carbon Markets, which described how voluntary carbon markets can serve as an opportunity for farmers and forest landowners to reduce emissions. In addition to USDA AMS's work to implement the Growing Climate Solutions Act, USDA's Forest Service recently announced $145 million inawards under President Biden's Inflation Reduction Act to underserved and small- acreage forest landowners to address climate change, while also supporting rural economies and maintaining land ownership for future generations through participation in VCMs.

2. Conducting First-of-its-kind Credit Purchases. Today, the Department of Energy (DOE) announced the semifinalists for its $35 million Carbon Dioxide Removal Purchase Pilot Prize whereby DOE will purchase carbon removal credits directly from sellers on a competitive basis. The Prize will support technologies that remove carbon emissions directly from the atmosphere, including direct air capture with storage, biomass with carbon removal and storage, enhanced weathering and mineralization, and planned or managed carbon sinks. These prizes support technology advancement for decarbonization with a focus on incorporating environmental justice, community benefits planning and engagement, equity, and workforce development. To complement this effort, the Department of Energy also issued a notice of intent for a Voluntary Carbon Dioxide Removal Purchase Challenge, which proposes to create a public leaderboard for voluntary carbon removal purchases while helping to connect buyers and sellers.

3. Advancing Innovation in Carbon Dioxide Removal (CDR) Technology. Aside from direct support for voluntary carbon markets, the Biden-Harris Administration is investing in programs that will accelerate the development and deployment of critical carbon removal technologies that will help us reach net zero. For example, DOE's Carbon Negative Shot pilot program provides $100 million in grants for small projects that demonstrate and scale solutions like biomass carbon removal and storage and small mineralization pilots, complementing other funding programs for small marine CDR and direct air capture pilots. DOE's Regional Direct Air Capture Hubs program invests up to $3.5 billion from the Bipartisan Infrastructure Law in demonstration projects that aim to help direct air capture technology achieve commercial viability at scale while delivering community benefits. Coupled with DOE funding to advance monitoring, measurement, reporting, and verification technology and protocols and Department of the Treasury implementation of the expanded 45Q tax credit under the Inflation Reduction Act, the U.S. is making comprehensive investments in CDR that will enable more supply of high- quality carbon credits in the future.

4. Leading International Standards Setting. Several U.S. departments and agencies help lead the United States' participation in international standard-setting efforts that help shape the quality of activities and credits that often find a home in VCMs. The Department of Transportation and Department of State co-lead the United States' participation in the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), a global effort to reduce aviation-related emissions. The Department of State works bilaterally and with international partners and stakeholders to recognize and promote best practice in carbon credit market standard-setting—for example, developing the G7's Principles for High-Integrity Carbon Markets and leading the United States' engagement on designing the Paris Agreement's Article 6.4 Crediting Mechanism. The U.S. government has also supported a number of initiatives housed at the World Bank that support the development of standards for jurisdictional crediting programs, including the Forest Carbon Partnership Facility and the Initiative for Sustainable ForestLandscapes, and the United States is the first contributor to the new SCALE trust fund.

5. Supporting International Market Development. The U.S. government is engaged in a number of efforts to support the development of high-integrity VCMs in international markets, including in developing countries, and to provide technical and financial assistance to credit-generating projects and programs in those countries. The State Department helped found and continues to coordinate the U.S. government's participation in the LEAF Coalition, the largest public-private VCM effort, which uses jurisdictional-scale approaches to help end tropical deforestation. The State Department is also a founding partner and coordinates U.S. government participation in the Energy Transition Accelerator, which is focused on sector-wide approaches to accelerate just energy transitions in developing markets. USAID also has a number of programs that offer financial aid and technical assistance to projects and programs seeking to generate carbon credits in developing markets, ensuring projects are held to the highest standards of transparency, integrity, reliability, safety, and results and that they fairly benefit Indigenous Peoples and local communities. This work includes the Acorn Carbon Fund, which mobilizes $100 million to unlock access to carbon markets and build the climate resilience of smallholder farmers, and supporting high-integrity carbon market development in a number of developing countries. In addition, the Department of the Treasury is working with international partners, bilaterally and in multilateral forums like the G20 Finance Track, to promote high-integrity VCMs globally. This includes initiating the first multilateral finance ministry discussion about the role of VCMs as part of last year's Asia Pacific Economic Cooperation (APEC) forum.

6. Providing Clear Guidance to Financial Institutions Supporting the Transition to Net Zero. In September 2023, the Department of the Treasury released its Principles for Net- Zero Financing and Investment to support the development and execution of robust net- zero commitments and transition plans. Later this year, Treasury will host a dialogue on accelerating the deployment of transition finance and a forum on further improving market integrity in VCMs.

7. Enhancing Measuring, Monitoring, Reporting, and Verification (MMRV) The Biden-Harris Administration is also undertaking a whole-of-government effort to enhance our ability to measure and monitor greenhouse gas (GHG) emissions, a critical function underpinning the scientific integrity and atmospheric impact of credited activities. In November 2023, the Biden-Harris Administration released the first-ever National Strategy to Advance an Integrated U.S. Greenhouse Gas Measurement, Monitoring, and Information System, which seeks to enhance coordination and integration of GHG measurement, modeling, and data efforts to provide actionable GHG information. As part of implementation of the National Strategy, federal departments and agencies such as DOE, USDA, the Department of the Interior, the Department of Commerce, and the National Aeronautics and Space Administration are engaging in collaborative efforts to develop, test, and deploy technologies and other capabilities to measure, monitor, and better understand GHG emissions.

8. Advancing Market Integrity and Protecting Against Fraud and Abuse. U.S. regulatory agencies are helping to build high-integrity VCMs by promoting the integrity of these markets. For example, the Commodity Futures Trading Commission (CFTC) proposed new guidance at COP28 to outline factors that derivatives exchanges may consider when listing voluntary carbon credit derivative contracts to promote the integrity, transparency, and liquidity of these developing markets. Earlier in 2023, the CFTC issued a whistleblower alert to inform the American public of how to identify and report potential Commodity Exchange Act violations connected to fraud and manipulation in voluntary carbon credit spot markets and the related derivative markets. The CFTC also stood up a new Environmental Fraud Task Force to address fraudulent activity and bad actors in these carbon markets. Internationally, the CFTC has also promoted the integrity of the VCMs by Co-Chairing the Carbon Markets Workstream of the International Organization of Securities Commission's Sustainable Finance Task Force, which recently published a consultation on 21 good practices for regulatory authorities to consider in structuring sound, well-functioning VCMs.

9. Taking a Whole-of-Government Approach to Coordinate Action. To coordinate the above actions and others across the Administration, the White House has stood up an interagency Task Force on Voluntary Carbon Markets. This group, comprising officials from across federal agencies and offices, will ensure there is a coordinated, government- wide approach to address the challenges and opportunities in this market and support the development of high-integrity VCMs.

The Biden-Harris Administration recognizes that the future of VCMs and their ability to effectively address climate change depends on a well-functioning market that links a supply of high-integrity credits to high-integrity demand from credible buyers. Today's new statement and principles underscore a commitment to ensuring that VCMs fulfill their intended purpose to drive private capital toward innovative technological and nature-based solutions, preserve and protect natural ecosystems and lands, and support the United States and our international partners in our collective efforts to meet our ambitious climate goals.